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New Zealand

Kiwifruit

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Report Highlights:

New Zealand's kiwifruit harvest for 2005 is forecast to decline 13 percent to 280,000 tons. Export volume is projected to fall 13 percent to 261,000 tons. Overall land area utilized for kiwifruit production continues to gradually increase. Zespri is continuing the development and implementation of its 'Taste Zespri' program by increasing the percentage of grower payment tied to fruit dry matter content for the 2005 season.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
Unscheduled Report
Wellington [NZ1]
[NZ]

SECTION I. SITUATION AND OUTLOOK

New Zealand's kiwifruit harvest for 2005 is forecast to decline 13 percent to 280,000 tons. Export volume in 2005 is projected to fall 13 percent to 261,000 tons. Overall area planted in kiwifruit in New Zealand continues its gradual upward trend. New plantings of Green kiwifruit are exceeding the rate of land withdrawal for urban development. Although Zespri has not issued new licenses for Gold kiwifruit since 2001, production levels continue to move upward as new vines mature and begin producing fruit.

Zespri is continuing to develop its 12-month supply/marketing program to better serve its overseas customers. During the 2003/04 season, tight supply and quality issues forced Zespri to pay higher prices for Italian sourced green kiwifruit. There have also been shortages of Gold kiwifruit from Zespri's licensed growers in Italy and California. This has caused Zespri's offshore procurement business, Zespri Fresh Produce, to incur a NZ\$ 1 million loss during the 2003/04 season.

Zespri is continuing the development and implementation of its 'Taste Zespri' program. Part of the payment that growers receive for their kiwifruit is based on the dry matter content of their fruit. The percentage of grower payment tied to the 'Taste Zespri' program will increase for the 2005 season. This program is based on the minimum level of dry matter required in fruit for consumers to enjoy its taste. By selling only fruit with this minimum amount of dry matter in its key markets, Zespri is able to offer consumers a product that produces consistently positive eating qualities. Zespri is aiming to increase the dry matter content of New Zealand's whole kiwifruit crop by working with growers to implement orchard practices that maximize dry matter content.

SECTION II. STATISTICAL TABLES

PS&D Table

New Zealand Kiwifruit						
	(HA) (MT)					
	2003	Revised	2004	Estimate	2005	Forecast
	USDA Official	Post Estimate	USDA Official	Post	USDA Official	Post Estimate
	[Old]	[New]	[Old]	Estimate	[Old]	[New]
Market Year Begin	01/2003			01/2004	01/2005	
Bearing Area	0	10500	0	10750	0	10950
Non-Bearing Area	0	970	0	750	0	600
TOTAL Area Planted	0	11470	0	11500	0	11550
TOTAL Area Harvested	0	10500	0	10750	0	10950
TOTAL Production	0	257000	0	320000	0	280000
Imports	0	1000	0	900	0	1000
TOTAL SUPPLY	0	258000	0	320900	0	281000
Exports	0	238000	0	300000	0	261000
Domestic Consumption	0	20000	0	20900	0	20000
TOTAL DISTRIBUTION	0	258000	0	320900	0	281000

Export Matrix

New Zealand Kiwifruit Exports					
	January - December			January - October	
	2001	2002	2003	2003	2004
Other EU	117,399	81,561	91,142	91,142	106,336
Japan	34,968	44,794	43,977	43,977	53,965
Spain	11,417	22,323	30,166	30,166	37,402
Italy	5,550	11,290	12,786	12,786	17,790
Australia	17,625	13,422	11,250	10,226	11,588
Taiwan	9,816	10,467	10,701	10,485	10,392
United States	17,338	13,296	10,436	10,436	13,857
Korea South	6,370	8,146	9,664	9,664	18,476
United Kingdom	14,388	15,229	8,096	8,096	6,939
Hong Kong	2,611	2,784	2,742	2,692	3,885
China	1,615	1,428	1,323	1,323	2,187
Singapore	974	1,106	796	796	1,124
Saudi Arabia	1,350	984	758	758	691
Mexico	1,131	1,023	706	706	2,010
Other	4,096	3,406	3,666	3,612	4,890
Total	246,648	231,259	238,209	236,865	291,532

Source: New Zealand Customs

SECTION III. SUPPLY, DEMAND, POLICY AND MARKETING

PRODUCTION

New Zealand's kiwifruit harvest for 2005 is forecast to decline 13 percent to 280,000 tons. Exports are projected to fall 13 percent to 261,000 tons. Despite lower green production, Gold production is forecast to increase slightly as new vines mature and begin producing fruit. This will offset slightly lower production from vines that have produced a crop in previous years. As of mid-January the kiwifruit crop is halfway through its growth cycle, following the completion of flowering in early December.

Overall area planted with kiwifruit in New Zealand continues to gradually increase. New plantings of Green kiwifruit are exceeding the rate of land withdrawal for urban development. Although Zespri has not issued any new licenses for Gold since 2001, production continues to increase as new vines mature and begin producing fruit. Gold was 18 percent of total harvest during 2004. Organic production area continues to decline due to urban expansion and the lack of new applications as a result of poor economic returns. Urbanization particularly affects organic land area as many organic orchards are close to urban populations due to public pressure not to utilize sprays.

New Zealand's kiwifruit harvest normally occurs during April and May, with exports usually completed by the end of December. Fruit sold at either end of the selling season earns a price premium. Zespri handles all kiwifruit exports from New Zealand, with the exception of a small amount of exports to Australia. The company is grower owned and does not receive financial assistance from the New Zealand government. Zespri currently accounts for 30 percent of world kiwifruit trade. During New Zealand's peak export season, it accounts for more than 60 percent of all kiwifruit supplied to the European market and more than 90 percent of supply to the Japanese market.

2004 Season Review

A record kiwifruit crop of 320,000 tons was harvested during 2004, a 25 percent increase over the previous season. This was the result of optimal growing conditions in New Zealand's main growing areas. These favorable growing conditions also produced larger than average fruit. Fruit quality was mixed, however, mainly due to dry periods followed by heavy rain in February 2004. This led to some fruit not storing well, requiring it to be sorted on arrival in importing countries. Zespri hasn't allowed poor quality fruit to reach the market, ensuring that it continued to earn a premium for its fruit over competitors.

Zespri initially forecast a 20 percent lower return per carton to kiwifruit growers for the 2004/05 season as a result of New Zealand's significantly larger crop, Europe's large crop at the end of Zespri's selling window, unfavorable exchange rates and some fruit quality issues. An expanded marketing effort by Zespri late in the season managed to minimize this decline for growers of Green kiwifruit, reducing the decrease in price per tray¹.

Although total returns to growers were lower than last year, Zespri's sales passed the NZ\$ 1 billion mark for the first time in the industry's history. The return per hectare to growers, however, was only slightly lower than the previous season as the lower returns per tray were offset by higher production per hectare. This follows six seasons in a row of record profitability for Zespri.

¹ Approximately 3.6 kg of fruit per tray

Twelve Months Supply Program

Zespri is continuing to develop its 12-month supply/marketing program to better serve its overseas customers (see NZ4003). During the 2003/04 season, tight supply and quality issues forced Zespri to pay higher prices for Italian sourced green kiwifruit. There have also been shortages of Gold kiwifruit from Zespri's licensed growers in Italy and California. This has caused Zespri's offshore procurement business, Zespri Fresh Produce, to incur a NZ\$ 1 million loss during the 2003/04 season.

The 'Taste Zespri' Promotion

Zespri is continuing the development and implementation of its 'Taste Zespri' program (see NZ4003). Part of the payment that growers receive for their kiwifruit is based on the dry matter content of their fruit. The percentage of grower payment tied to the 'Taste Zespri' program will substantially increase for the 2005 season. This program is based on the minimum level of dry matter required in fruit for consumers to enjoy its taste, increasing the likelihood of repeat purchasing. By selling only fruit with this minimum amount of dry matter in its key markets, Zespri is able to offer consumers a product with consistent preferred taste characteristics. Zespri is aiming to increase the dry matter content of New Zealand's whole kiwifruit crop by working with growers to implement orchard practices that maximize dry matter content.

MARKETING

Zespri is the only organization in the world that spends more than a nominal amount on market promotional activity for kiwifruit. The focus of Zespri's promotional efforts is on high margin Asian markets. Europe remains Zespri's largest market and it receives a large share of its total promotional budget as well. A wide range of market development activities are implemented that tend to be consumer oriented, with a focus on creating a healthy, exciting image for Zespri's kiwifruit. Zespri judges its marketing campaign to be very successful in Asian and European markets, with Zespri branded fruit receiving a price premium over competitors. Although Zespri's marketing strategy targets its Gold kiwifruit, sales of Green kiwifruit have reaped residual sales benefits and promoted the Zespri brand in general.

Zespri celebrated the industry's centennial year in 2004, marking 100 years since kiwifruit was introduced to New Zealand. Zespri utilized this opportunity for promotion, with the celebrations designed to showcase the industry to its most profitable markets. Over 100 journalists from Asia and Mexico attending the celebrations in New Zealand during media week.